

**City of Menahga
Information Memorandum 17-007
Resolution No. 2017-010**

Subject: Resolution No. 2017-010: Providing for the Sale of \$4,915,000 General Obligation Nursing Home Revenue Bonds, Series 2017A

Agenda of: April 10, 2017

Council action: Adopted

Summary statement:

Resolution No. 2017-010 formally begins the bond process for the Greenwood Connections Expansion Project.

This resolution authorizes Ehlers to assist the City for the sale of the bonds and sets up the timeframe for the council to consider the bond proposals and awards the sale of the bonds. This will occur during the June 12, 2017, regular meeting.

As was stated in previous meetings, the bond payments will be made by Greenwood Connections revenues.

Fiscal information:

Total amount of funds listed in this legislation: \$ 4,915,000

This legislation (✓):

Has no fiscal impact Creates a positive impact in the amount of: \$ _____
 Creates a negative impact in the amount of: \$ 4,915,000

Funds are (✓):

Budgeted Line item(s): _____
 Not budgeted Affected line item(s): Paid by revenues

Attachments:

- Resolution No. 2017-010
- Pre-sale Report
- Wadena County Resolution

Agenda Date: May 10, 2017

Action:

Vote:

Yes:

No:

CITY OF MENAHGA, MINNESOTA

Resolution No. 2017-010

A Resolution of the Menahga City Council Providing for the Sale of \$4,915,000 General Obligation Nursing Home Revenue Bonds, Series 2017A

WHEREAS, the City Council of the City of Menahga, Minnesota has determined that it is necessary and expedient to issue the City's \$4,915,000 General Obligation Nursing Home Revenue Bonds, Series 2017A (the "Bonds"), to finance the 2017 Greenwood Connections Expansion Project, consisting of converting existing shared rooms to private rooms, adding a skilled transitional care unit to the municipal nursing home, and replacing boilers and generators; and

WHEREAS, the City has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent municipal advisor for the Bonds in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9).

NOW, THEREFORE, BE IT RESOLVED that the Menahga City Council as follows:

1. Authorization; Findings. The City Council hereby authorizes Ehlers to assist the City for the sale of the Bonds.
2. Meeting; Proposal Opening. The City Council shall meet at 7 pm on June 12, 2017, for the purpose of considering proposals for and awarding the sale of the Bonds.
3. Official Statement. In connection with said sale, the officers or employees of the City are hereby authorized to cooperate with Ehlers and participate in the preparation of an official statement for the Bonds and to execute and deliver it on behalf of the City upon its completion.

Passed and approved by the City Council of the City of Menahga, Minnesota, eighth day of May, 2017.

Patrick Foss, Mayor

Janette M. Bower, Administrator



EHLERS
LEADERS IN PUBLIC FINANCE

May 8, 2017

Pre-Sale Report for

City of Menahga, Minnesota

\$4,915,000 General Obligation Nursing Home Revenue
Bonds, Series 2017A



Prepared by:

Todd Hagen, CIPMA
VP/Senior Municipal Advisor

And

Shelly Eldridge, CIPMA
VP/Senior Municipal Advisor



Executive Summary of Proposed Debt

Proposed Issue:	\$4,915,000 General Obligation Nursing Home Revenue Bonds, Series 2017A
Purpose/Funding Sources:	<p>The proposed issue includes financing for the construction of the 2017 Greenwood Connections Expansion Project, consisting of converting existing shared rooms to private rooms, adding a skilled transitional care unit to the municipal nursing home, and replacing boilers and generators.</p> <p>Debt service will be paid from net revenues of the nursing home. Should pledged revenues be insufficient to pay the principal and interest on the Bonds, the City is required by law to pay maturing principal and interest from available funds of the City and to levy ad valorem taxes on all taxable property in the City without limitation as to rate or amount.</p>
Authority:	<p>The Bonds are being issued pursuant to Minnesota Statutes, Chapters 376 and 475.</p> <p>Because the County authorized the City to exercise the powers of a county to issue general obligation nursing home bonds within the County, the Bonds can be a general obligation without a referendum and will not count against the City's debt limit.</p> <p>The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.</p>
Term/Call Feature:	<p>The Bonds are being issued for a 20-year term. Principal on the Bonds will be due on February 1 in the years 2019 through 2038. Interest is payable every six months beginning February 1, 2018. A portion of the Bond proceeds will be used to make the initial interest payment.</p> <p>The Bonds maturing on and after February 1, 2027 will be subject to prepayment at the discretion of the City on February 1, 2026 or any date thereafter.</p>
Bank Qualification:	<p>Because the City is expecting to issue no more than \$10,000,000 in tax exempt debt during the calendar year, the City will be able to designate the Bonds as "bank qualified" obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.</p>
Basis for Recommendation:	<p>Based on our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of general obligation bonds as a suitable financing option because the City's policy and past practice has been to finance nursing home improvements with this type of debt issue, this is a cost-effective option among the limited other options available to finance this type of project, and general obligation bonds provide the lowest possible interest cost.</p>



<p>Rating:</p>	<p>The City’s most recent bond issues were rated “A” by Standard & Poor’s.</p> <p>The City will request a new rating for the Bonds.</p> <p>If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the City’s bond rating in the event that the bond rating of the insurer is higher than that of the City.</p>
<p>Method of Sale/Placement:</p>	<p>In order to obtain the lowest interest cost to the City, we will competitively bid the purchase of the Bonds from local and national underwriters/banks.</p> <p>We have included an allowance for discount bidding equal to 1.20% of the principal amount of the issue. The discount provides the underwriter with all or a portion of its compensation in the transaction. If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to lower your borrowing amount.</p> <p>Premium Bids: Under current market conditions, most investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.”</p> <p>For this issue of Bonds, we have been directed to use the premium to reduce the size of the issue. The adjustments may slightly change the true interest cost of the original bid, either up or down.</p>
<p>Review of Existing Debt:</p>	<p>We have reviewed all outstanding indebtedness for the City and find that there are no refunding opportunities at this time.</p> <p>We will continue to monitor the market and the call dates for the City’s outstanding debt and will alert you to any future refunding opportunities.</p>
<p>Continuing Disclosure:</p>	<p>Because the City has less than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the City will be agreeing to provide its Audited Financial Statements annually as well as providing notices of the occurrence of certain reportable events to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC).</p> <p>The City is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.</p>
<p>Arbitrage Monitoring:</p>	<p>Because the Bonds are tax-exempt securities/tax credit securities, the City must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield</p>



	<p>restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Nonarbitrage Certificate prepared by your Bond Attorney and provided at closing.</p> <p>We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you.</p>
Risk Factors:	<p>The City expects to pay the Bond debt service with nursing home funds. If nursing home revenue is inadequate, the City may have to levy taxes to pay debt service on the Bonds.</p>
Other Service Providers:	<p>This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, so their final fees may vary. If you have any questions pertaining to the identified service providers or their role, or if you would like to use a different service provider for any of the listed services please contact us.</p> <p>Bond Attorney: Briggs and Morgan Paying Agent: Bond Trust Services Rating Agency: Standard & Poor's</p>
Investment Earnings:	<p>In order to more efficiently segregate funds for this project and maximize interest earnings we recommend using either your local banks or Ehlers Investment Partners, a subsidiary of Ehlers, to assist with the investment of bond proceeds until they are needed to pay project costs.</p>
Summary:	<p>The decisions to be made by the Council are as follows:</p> <ul style="list-style-type: none"> • Accept or modify the finance assumptions described in this report. • Adopt the resolution attached to this report.

This presale report summarizes our understanding of the City’s objectives for the structure and terms of this financing as of this date. As additional facts become known or capital markets conditions change, we may need to modify the structure and/or terms of this financing to achieve results consistent with the City’s objectives.



Proposed Debt Issuance Schedule

Pre-Sale Review by City Council	May 8, 2017
Distribute Official Statement:	Week of May 29, 2017
Conference with Rating Agency:	Week of June 5, 2017
City Council Meeting to Award Sale of the Bonds:	June 12, 2017
Estimated Closing Date:	July 15, 2017

Attachments

Sources and Uses of Funds
Proposed Debt Service Schedule
Bond Buyer Index
Resolution Authorizing Ehlers to Proceed with Bond Sale

Ehlers Contacts

Municipal Advisors:	Todd Hagen	(651) 697-8508
	Shelly Eldridge	(651) 697-8504
Disclosure Coordinator:	Charissa Wiese	(651) 697-8573
Financial Analyst:	Alicia Gage	(651) 697-8551

The Official Statement for this financing will be mailed to the City Council at their home address or e-mailed for review prior to the sale date.



City of Menahga, Minnesota

\$4,915,000 General Obligation Nursing Home Revenue Bonds, Series 2017A
Assumes Current Market BQ "A" Rates plus 25bps
20 Years

Sources & Uses

Dated 07/15/2017 | Delivered 07/15/2017

Sources Of Funds

Par Amount of Bonds	\$4,915,000.00
Total Sources	\$4,915,000.00

Uses Of Funds

Total Underwriter's Discount (1.200%)	58,980.00
Costs of Issuance	46,500.00
Deposit to Capitalized Interest (CIF) Fund	77,168.19
Deposit to Project Construction Fund	4,730,000.00
Rounding Amount	2,351.81
Total Uses	\$4,915,000.00

City of Menahga, Minnesota

\$4,915,000 General Obligation Nursing Home Revenue Bonds, Series 2017A

Assumes Current Market BQ "A" Rates plus 25bps

20 Years

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
07/15/2017	-	-	-	-	-	-	-
02/01/2018	-	-	77,168.19	77,168.19	(77,168.19)	-	-
08/01/2018	-	-	70,868.75	70,868.75	-	70,868.75	-
02/01/2019	195,000.00	1.500%	70,868.75	265,868.75	-	265,868.75	336,737.50
08/01/2019	-	-	69,406.25	69,406.25	-	69,406.25	-
02/01/2020	195,000.00	1.650%	69,406.25	264,406.25	-	264,406.25	333,812.50
08/01/2020	-	-	67,797.50	67,797.50	-	67,797.50	-
02/01/2021	200,000.00	1.850%	67,797.50	267,797.50	-	267,797.50	335,595.00
08/01/2021	-	-	65,947.50	65,947.50	-	65,947.50	-
02/01/2022	205,000.00	2.050%	65,947.50	270,947.50	-	270,947.50	336,895.00
08/01/2022	-	-	63,846.25	63,846.25	-	63,846.25	-
02/01/2023	210,000.00	2.150%	63,846.25	273,846.25	-	273,846.25	337,692.50
08/01/2023	-	-	61,588.75	61,588.75	-	61,588.75	-
02/01/2024	215,000.00	2.300%	61,588.75	276,588.75	-	276,588.75	338,177.50
08/01/2024	-	-	59,116.25	59,116.25	-	59,116.25	-
02/01/2025	220,000.00	2.400%	59,116.25	279,116.25	-	279,116.25	338,232.50
08/01/2025	-	-	56,476.25	56,476.25	-	56,476.25	-
02/01/2026	225,000.00	2.500%	56,476.25	281,476.25	-	281,476.25	337,952.50
08/01/2026	-	-	53,663.75	53,663.75	-	53,663.75	-
02/01/2027	230,000.00	2.600%	53,663.75	283,663.75	-	283,663.75	337,327.50
08/01/2027	-	-	50,673.75	50,673.75	-	50,673.75	-
02/01/2028	235,000.00	2.750%	50,673.75	285,673.75	-	285,673.75	336,347.50
08/01/2028	-	-	47,442.50	47,442.50	-	47,442.50	-
02/01/2029	240,000.00	2.850%	47,442.50	287,442.50	-	287,442.50	334,885.00
08/01/2029	-	-	44,022.50	44,022.50	-	44,022.50	-
02/01/2030	250,000.00	3.000%	44,022.50	294,022.50	-	294,022.50	338,045.00
08/01/2030	-	-	40,272.50	40,272.50	-	40,272.50	-
02/01/2031	255,000.00	3.100%	40,272.50	295,272.50	-	295,272.50	335,545.00
08/01/2031	-	-	36,320.00	36,320.00	-	36,320.00	-
02/01/2032	265,000.00	3.250%	36,320.00	301,320.00	-	301,320.00	337,640.00
08/01/2032	-	-	32,013.75	32,013.75	-	32,013.75	-
02/01/2033	270,000.00	3.400%	32,013.75	302,013.75	-	302,013.75	334,027.50
08/01/2033	-	-	27,423.75	27,423.75	-	27,423.75	-
02/01/2034	280,000.00	3.500%	27,423.75	307,423.75	-	307,423.75	334,847.50
08/01/2034	-	-	22,523.75	22,523.75	-	22,523.75	-
02/01/2035	290,000.00	3.600%	22,523.75	312,523.75	-	312,523.75	335,047.50
08/01/2035	-	-	17,303.75	17,303.75	-	17,303.75	-
02/01/2036	300,000.00	3.650%	17,303.75	317,303.75	-	317,303.75	334,607.50
08/01/2036	-	-	11,828.75	11,828.75	-	11,828.75	-
02/01/2037	310,000.00	3.700%	11,828.75	321,828.75	-	321,828.75	333,657.50
08/01/2037	-	-	6,093.75	6,093.75	-	6,093.75	-
02/01/2038	325,000.00	3.750%	6,093.75	331,093.75	-	331,093.75	337,187.50
Total	\$4,915,000.00	-	\$1,886,428.19	\$6,801,428.19	(77,168.19)	\$6,724,260.00	-

Significant Dates

Dated	7/15/2017
First Coupon Date	2/01/2018

Yield Statistics

Bond Year Dollars	\$58,695.94
Average Life	11.942 Years
Average Coupon	3.2138987%
Net Interest Cost (NIC)	3.3143826%
True Interest Cost (TIC)	3.3014320%
Bond Yield for Arbitrage Purposes	3.1756431%
All Inclusive Cost (AIC)	3.4021292%

IRS Form 8038

Net Interest Cost	3.2138987%
Weighted Average Maturity	11.942 Years

Series 2017A GO Nursing H | SINGLE PURPOSE | 5/3/2017 | 11:13 AM

City of Menahga, Minnesota

\$4,915,000 General Obligation Nursing Home Revenue Bonds, Series 2017A

Assumes Current Market BQ "A" Rates plus 25bps

20 Years

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total
02/01/2018	-	-	77,168.19	77,168.19	(77,168.19)	-	-
02/01/2019	195,000.00	1.500%	141,737.50	336,737.50	-	336,737.50	353,574.38
02/01/2020	195,000.00	1.650%	138,812.50	333,812.50	-	333,812.50	350,503.13
02/01/2021	200,000.00	1.850%	135,595.00	335,595.00	-	335,595.00	352,374.75
02/01/2022	205,000.00	2.050%	131,895.00	336,895.00	-	336,895.00	353,739.75
02/01/2023	210,000.00	2.150%	127,692.50	337,692.50	-	337,692.50	354,577.13
02/01/2024	215,000.00	2.300%	123,177.50	338,177.50	-	338,177.50	355,086.38
02/01/2025	220,000.00	2.400%	118,232.50	338,232.50	-	338,232.50	355,144.13
02/01/2026	225,000.00	2.500%	112,952.50	337,952.50	-	337,952.50	354,850.13
02/01/2027	230,000.00	2.600%	107,327.50	337,327.50	-	337,327.50	354,193.88
02/01/2028	235,000.00	2.750%	101,347.50	336,347.50	-	336,347.50	353,164.88
02/01/2029	240,000.00	2.850%	94,885.00	334,885.00	-	334,885.00	351,629.25
02/01/2030	250,000.00	3.000%	88,045.00	338,045.00	-	338,045.00	354,947.25
02/01/2031	255,000.00	3.100%	80,545.00	335,545.00	-	335,545.00	352,322.25
02/01/2032	265,000.00	3.250%	72,640.00	337,640.00	-	337,640.00	354,522.00
02/01/2033	270,000.00	3.400%	64,027.50	334,027.50	-	334,027.50	350,728.88
02/01/2034	280,000.00	3.500%	54,847.50	334,847.50	-	334,847.50	351,589.88
02/01/2035	290,000.00	3.600%	45,047.50	335,047.50	-	335,047.50	351,799.88
02/01/2036	300,000.00	3.650%	34,607.50	334,607.50	-	334,607.50	351,337.88
02/01/2037	310,000.00	3.700%	23,657.50	333,657.50	-	333,657.50	350,340.38
02/01/2038	325,000.00	3.750%	12,187.50	337,187.50	-	337,187.50	354,046.88
Total	\$4,915,000.00	-	\$1,886,428.19	\$6,801,428.19	(77,168.19)	\$6,724,260.00	\$7,060,473.00

Significant Dates

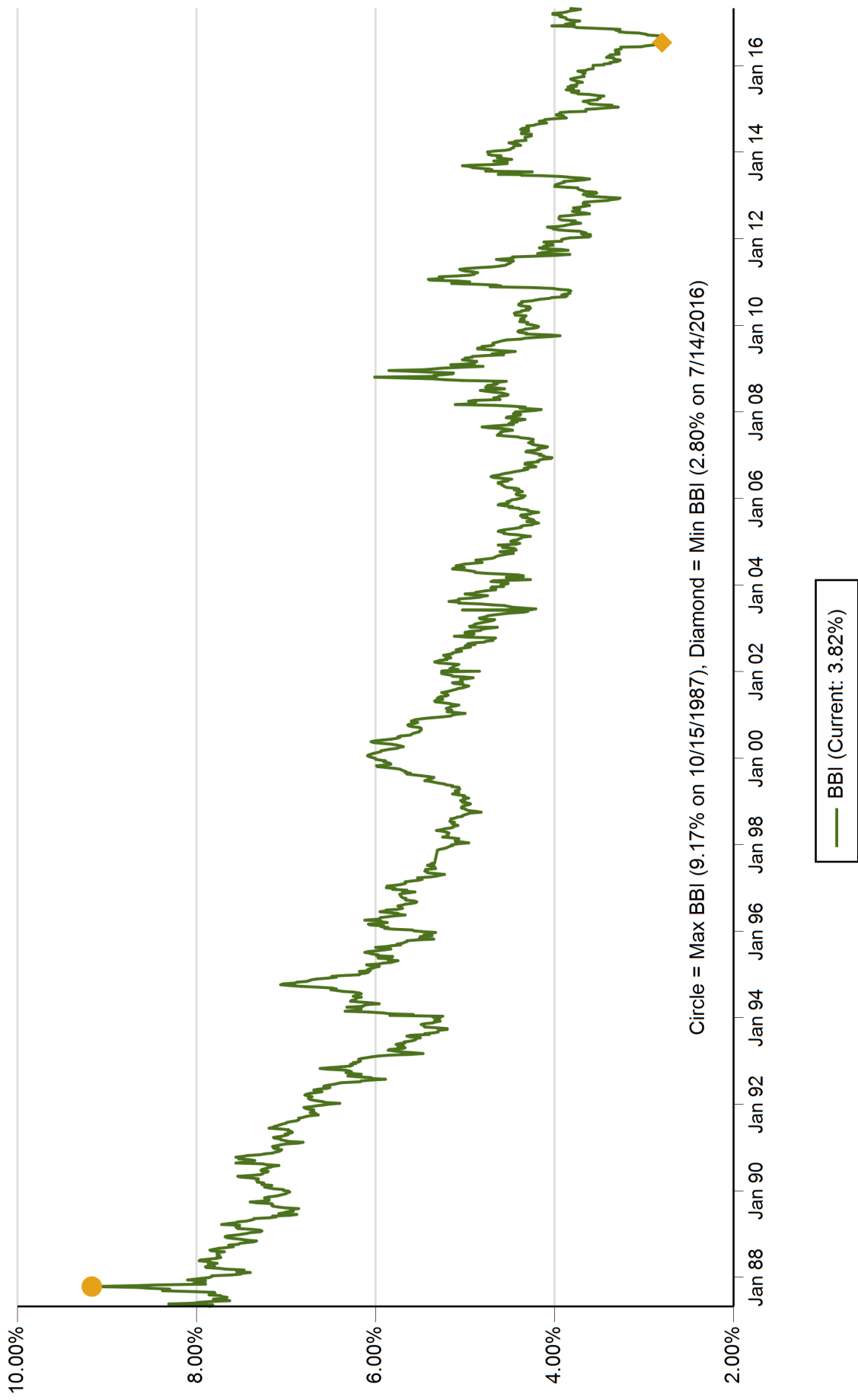
Dated	7/15/2017
First Coupon Date	2/01/2018

Yield Statistics

Bond Year Dollars	\$58,695.94
Average Life	11.942 Years
Average Coupon	3.2138987%
Net Interest Cost (NIC)	3.3143826%
True Interest Cost (TIC)	3.3014320%
Bond Yield for Arbitrage Purposes	3.1756431%
All Inclusive Cost (AIC)	3.4021292%

30 YEAR TREND IN MUNICIPAL BOND INDICES

Weekly Rates April, 1987 - April, 2017



The Bond Buyer "20 Bond Index" (BBI) shows average yields on a group of municipal bonds that mature in 20 years and have an average rating equivalent to Moody's Aa2 and S&P's AA.

Source: The Bond Buyer



EHLERS
LEADERS IN PUBLIC FINANCE

EXTRACT OF MINUTES OF A MEETING OF THE BOARD OF COMMISSIONERS OF THE COUNTY OF WADENA, MINNESOTA

HELD: 4-18, 2017

Pursuant to due call and notice thereof, a regular or special meeting of the Board of Commissioners of the County of Wadena, Minnesota, was duly held at the County Courthouse in Wadena, Minnesota on 4-18, 2017, at 9 o'clock A.M. for the purpose in part of authorizing the City of Menahga, Minnesota to exercise the powers of a county under Minnesota Statutes, Sections 376.55 to 376.60.

The following members were present: David Hillukka, Sheldon Monson, William Stearns, Jim Hofer and Chuck Horsager.

and the following were absent: None

Member Horsager introduced the following resolution and moved its adoption:

RESOLUTION AUTHORIZING THE CITY OF MENAHGA, MINNESOTA, TO EXERCISE THE POWERS OF A COUNTY UNDER MINNESOTA STATUTES, SECTIONS 376.55 TO 376.60

A. WHEREAS, the Board of Commissioners of the County of Wadena, Minnesota (the "County"), has not established a county nursing home; and

B. WHEREAS, the City of Menahga, Minnesota (the "City"), owns and operates an existing 65-bed nursing home facility known as the Greenwood Connections Nursing Home in the County (the "Facility"); and

C. WHEREAS, the City is a Minnesota statutory city; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the County of Wadena, Minnesota, as follows:

Pursuant to Minnesota Statutes, Section 376.55 Subdivision 7, the Board hereby authorizes the City to exercise, within the County, the powers of a county under Minnesota Statutes, Sections 376.55 to 376.60.

The motion for the adoption of the foregoing resolution was duly seconded by member Hofer and, after full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof: Hillukka, Monson, Stearns, Hofer, Horsager

and the following voted against the same: None

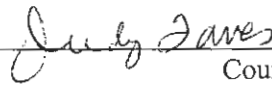
whereupon the resolution was declared duly passed and adopted.

STATE OF MINNESOTA

COUNTY OF WADENA

I, the undersigned, being the duly qualified and acting County Auditor of the County of Wadena, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the Board duly called and held on the date therein indicated, insofar as the minutes relate to authorizing the City of Menahga, Minnesota, to exercise the powers of a county under Minnesota Statutes, Sections 376.55 to 376.60.

WITNESS my hand on 4-24, 2017.



County Auditor